

Message Text

LIMITED OFFICIAL USE

PAGE 01 BERN 03195 031548Z

51

ACTION XMB-07

INFO OCT-01 EUR-25 ADP-00 EB-11 TRSE-00 L-03 CIAE-00

INR-10 NSAE-00 RSC-01 RSR-01 /059 W

----- 000221

R 031500Z AUG 73

FM AMEMBASSY BERN

TO SECSTATE WASHDC 8040

INFO AMEMBASSY VIENNA

LIMITED OFFICIAL USE BERN 3195

VIENNA FOR GEORGE DIETZ

E.O. 11652: N/A

TAGS: ETRD, SZ

SUBJECT: WITHHOLDING TAXES ON INTEREST PAYMENTS: EXIMBANK CFF
PROGRAM

REF: BERN 2853, STATE 134166, AND PREVIOUS

1. SUMMARY. JULY 31 MEETING BETWEEN MR. GEORGE DIETZ
AND SWISS TAX OFFICIALS CLARIFIED SOME ISSUES BUT INDI-
CATED SWISS UNWILLING OR UNABLE PROVIDE TAX EXEMPTIONS
FOR INTEREST ON CFF LOANS. EMBASSY RECOMMENDS MR. DIETZ
RETURN FOR MEETING WITH DIRECTOR OF TAX ADMINISTRATION
IN LATE AUGUST OR EARLY SEPTEMBER. END SUMMARY.

2. ON JULY 31 MR. DIETZ AND EMBOFF MET WITH DRS. LEUTHI
AND STOCHAR OF SWISS TAX ADMINISTRATION TO DISCUSS
ANTICIPATORY TAC PROBLEM. ALTHOUGH DR. LOCHER, DIRECTOR
OF TAX ADMINISTRATION, ON VACATION UNTIL LATE AUGUST,
MR. DIETZ AGREED TO MEET WITH TECHNICAL LEVEL OFFICIALS
IN ORDER TO SHOW HIGH DEGREE OF USG INTEREST IN RESOLVING
PROBLEM.

3. MR. DIETZ REVIEWED NATURE AND PURPOSE OF CFF PROGRAM
AND EXPRESSED HOPE THAT WAY COULD BE FOUND TO RELIEVE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BERN 03195 031548Z

CFF LOAN INTEREST FROM ANTICIPATORY TAX.

4. ACCORDING TO DR. LEUTHI, CFF LOANS TO DOMESTIC BANKS ARE CONSIDERED UNDER SWISS LAW TO BE INTER-BANK DEPOSITS AND INTEREST PAID BY LOCAL BANKS TO EXIM SUBJECT TO ANTICIPATORY TAX. EXEMPTION OF DEPOSITS (LOANS) OF ONE YEAR OF LESS IS NOT RPT NOT CONTAINED IN ANTICIPATORY TAX LAW BUT IS BASED ON ADMINISTRATIVE INTERPRETATION. WHEN LAW WAS REVISED IN 1965 TO INCLUDE INTEREST ON DEPOSITS, SWISS BANKERS EFFECTIVELY LOBBIED FOR ONE-YEAR EXEMPTION. SINCE MOST INTER-BANK DEPOSITS ARE FOR LESS THAN ONE YEAR, THIS INTERPRETATION ELIMINATED TAX BURDEN FOR LOCAL BANKS. DR. LEUTHI ALSO SAID THAT NEITHER INTEREST ON EXIM LOANS MADE DIRECTLY TO IMPORTERS NOR EXIM GUARANTEES WOULD BE SUBJECT TO TAX.

5. MR. DIETZ POINTED OUT THAT ABOVE DID NOT RESOLVE EXIM'S PROBLEM. MOST CFF LOANS GRANTED FOR MORE THAN ONE YEAR. DIRECT LOANS USUALLY MADE ONLY TO BIG CUSTOMERS AND CFF PROGRAM DESIGNED FOR SMALL ONES. CFF LOANS MADE THROUGH LOCAL BANKS TO REDUCE RISK AND PAPER WORK FOR EXIM AND BECAUSE LOCAL BANKS BETTER ABLE TO LOCATE AND DEVELOP SMALL CUSTOMERS.

6. DR. LEUTHI THEN SAID THAT REVISION OF US-SWISS CONVENTION ON DOUBLE TAXATION TO ELIMINATE TAX ON EXIM LOANS, AS HAS BEEN DONE WITH JAPAN, APPEARED TO BE ONLY SOLUTION. HE DID NOT RECOMMEND THIS COURSE OF ACTION, HOWEVER, SINCE OPENING CONVENTION TO REVISION MIGHT CREATE MORE PROBLEMS THAN IT WOULD SOLVE.

7. COMMENT: MEETING USEFUL IN THAT IT CLARIFIED SOME ISSUES ON BOTH SIDES. UNFORTUNATELY, IT ALSO INDICATED THAT SWISS UNWILLING OR UNABLE TO PROVIDE EXEMPTION FOR EXIM. EMBASSY BELIEVES, HOWEVER, THAT MR. DIETZ SHOULD RETURN TO BERN IN LATE AUGUST OR EARLY SEPTEMBER FOR MEETING WITH DR. LOCHER.
PERCIVAL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BERN03195
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730860/aaaabsek.tel
Line Count: 98
Locator: TEXT ON-LINE
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 BERN 2853, STATE 134166, AND PREV, IOUS
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01-Oct-2001 by eisnerah>; APPROVED <04-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WITHHOLDING TAXES ON INTEREST PAYMENTS: EXIMBANK CFF PROGRAM
TAGS: ETRD, SZ
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005